

## Fractional Share Trading

Pershing's fractional share trading functionality allows an investor to buy and sell fractional share quantities and purchase dollar amounts of certain securities ("Fractional Trading"). Fractional Trading presents unique risks and has certain limitations that an investor should understand before placing their first fractional share order. Orders to sell may be entered using a fractional share quantity (e.g., 2.525 shares). Orders to buy or sell may use either a fractional quantity or a dollar value (e.g., \$250.00). Share quantities can be specified to FOUR decimal places (.0001). Dollar value orders will be converted into share quantities for execution, again, to FOUR decimal places. In all cases, when converting dollar-value orders into share quantities, the share quantities will be rounded down.

For a variety of reasons, including but not limited to this conversion convention, the actual amount of an executed dollar-value order may be different from the requested amount. The actual amount of an executed order to buy a dollar value of a security may also be lower or higher than the amount requested due to the price movement of the shares in the market and/or fees and commissions charged by an investor's financial institution.

All Orders received in good form by Pershing with a fractional share component will be marked "Not Held," which gives Pershing the time and price discretion to execute the order without being held to the security's current quote. In connection therewith, each time an investor or their financial institution submits an order to buy or sell a fractional share quantity or dollar amount of a particular security, an investor is authorizing Pershing to use time and price discretion. These orders will be transmitted to an internal trading desk for execution. Pershing will seek best execution for all orders routed to it for handling and execution consistent with its obligations under applicable law, rules, and regulations.

As previously described, fractional customer orders are handled on a not held basis. As such, there may be instances where Pershing trades "along with" or "ahead of" a customer fractional order as permitted by applicable law. If an investor does not wish orders to be handled on a 'Not Held' basis, an investor should not engage in Fractional Trading.

An investor may attempt to cancel an order, but there is no ability to request that an order be "cancelled and replaced" (i.e., an investor cannot modify an order once it has been submitted). Instead, an investor or their financial institution will need to cancel the original order, wait for a confirmation of that cancelation, and only then submit a new order to avoid duplicate executions.

Pershing's fractional share trading functionality supports market and limit orders. Because of this, fractional trading functionality order types are more restrictive than if an investor were to buy or sell traditional whole share quantities. Additionally, orders are good for that day's trading session only.

An order entered outside of market hours, is good until the close of the next trading session. Note however, that orders to sell less than a whole share can only be placed while the security is open for trading and must be marketable at the time of entry.

An order to sell less than a whole share will be rejected if it is initiated during a trading halt. In the event of a trading halt after orders have already been initiated, existing orders in that security – including those containing fractional quantities - will persist and remain in force for the rest of that trading session. If trading does not resume or an order is not executed by the close of that day's Trading session, it will expire and need to be re-entered by the investor.



Pershing's Fractional Trading functionality currently supports the purchase of securities listed in the National Market System (NMS). Sales of existing fractional positions will not be limited to NMS listed securities. Pershing reserves the right to modify the list of eligible stocks at any time without notice to an investor or their financial institution. Any modification to the list of eligible stocks available for Fractional Trading will not affect any fractional share interests previously acquired by an investor. Notwithstanding that existing fractional positions are eligible to be sold, fractional share positions may be illiquid. Pershing does not guarantee that there will be a market for fractional share positions and makes no representations or warranties about its ability or willingness to continue to trade as principal in fractional share quantities. Note that not all of Pershing's order entry platforms may support fractional trading (e.g., Fractional Trading may be available via mobile device but not through the live representative channel).

### **Trade Execution**

Pershing will act in a principal capacity when executing an order containing a fractional component. When a fractional share interest is allocated to an investor account, Pershing will maintain custody of the whole share in which an investor has the fractional interest. Any fractional share interest in the whole share not allocated to an investor account may be allocated to other customers or to Pershing as principal.

Pershing will execute mixed share quantity orders based on the fills received on the whole share order, with any fractional fill prices typically determined by the last whole share fill if multiple partial fills are received.

If an order on the sell side is for less than a whole share and entered while the stock is open for trading Pershing will attempt to execute the order as principal against an inventory account at the current 'National Best Bid' price when the order is received. Orders to sell less than a whole share can only be placed while the security is open for trading and must be marketable at the time of entry and will be rejected if these conditions are not met.

Additionally, Pershing may be required to correct or adjust trades that (for a variety of reasons) have been executed in amounts that either exceed or fall short of the amounts requested. These trade corrections and adjustments will be executed by Pershing in a principal capacity, and when trading as principal for its own account, Pershing may make a profit or incur a loss.

### **Shareholder Rights**

Fractional share interests in a security generally have different rights from full share interests of the same security. Please read the following information carefully to understand rights regarding an investor's fractional share interests.

Pershing LLC will not vote or take any discretionary or voluntary action with respect to any fractional share position. Furthermore, an investor, by utilizing the service, agrees that they cannot vote or take any discretionary or voluntary action with respect to any fractional share position. Accordingly, while an investor may be notified of issuer meetings, Pershing LLC will not solicit proxies in connection with fractional share positions, and an investor cannot vote proxies for fractional share positions. Fractional shareholders will not be able to provide instruction in connection with voluntary corporate actions (e.g., tenders), except for optional dividends; and will not vote proxies for any fractional shares it holds as principal and will not affirmatively participate in any voluntary corporate actions.

In the case of a dividend paid on, or a redemption of, a fractional interest security, the dividend or redemption proceeds will be passed along to an investor in proportion to the investor's ownership

interest, inclusive of fractional share interests. Pershing LLC will only support payments that are equal to or greater than \$.01 per share. Amounts smaller than that, or non-divisible amounts (based on the .0001 rounding convention described above), will not be distributed and considered "Undistributable Interests."

Holders of fractional share positions may participate in dividend reinvestment programs ("DRIPS") to the same extent as if they owned a full share (adjusted for their fractional share interest in the dividend). If the amount is too small to be reinvested (based on the .0001 rounding convention described above), but large enough to be distributed as cash (i.e., at least \$0.01), it will be paid to the investor.

For mandatory reorganizations, such as mergers and acquisitions, or other involuntary corporate actions, such as stock splits or stock dividends, generally Pershing LLC will distribute interests in proportion to an investor's ownership interest, inclusive of fractional share interests. Pershing LLC will distribute interests in fractional amounts to four decimal places. Amounts smaller than that, or nondivisible amounts, will be considered "Undistributable Interests". Further, because of the unpredictable nature of corporate actions, there may be situations that arise that are not described previously. Generally, these situations will be handled in accordance with the concepts applicable to dividends and reorganizations. Interests will be divided and distributed where possible in proportion to investor's ownership interest, and anything that cannot be divided will be "Undistributable Interests". The foregoing notwithstanding, these situations are in all cases subject to the terms contained in the materials prepared by the issuer describing the corporate action, as well as Pershing LLC's applicable policies and procedures, which may result in a different outcome from what is described above.

#### **Undistributable Interests**

Pershing will only support payments that are equal to or greater than \$.01 per share. Amounts smaller than that, or nondivisible amounts (based on the .0001 rounding convention described above), will not be distributed.

#### **Tax Treatment**

By utilizing the service, investors agree to that they will be treated as the owner of all fractional share interests allocated to the investor's account and will file all tax forms in accordance with such treatment and take no action inconsistent with such treatment.

#### **Additional Considerations**

Fractional share positions cannot be certificated. If an investor's account is closed, the investor's fractional shares may be liquidated, and the proceeds distributed as cash. Also, the Automated Customer Account Transfer System (ACAT) does not support the transfer of fractional shares. If an investor chooses to transfer their account or specific share positions with a fractional component to a broker at a different clearing firm, Pershing will consider the transfer request as an order instruction from the investor's financial institution to liquidate any fractional shares, and to transfer the cash proceeds in a residual sweep.

Sales of less than a whole share may not be eligible for "Price Improvement." Additionally, because in certain situations Price Improvement on the fractional share component of an order will affect the execution price rather than the share quantity of an order, the effect of the improvement on a dollar-value order in those situations will be to increase or decrease the value of the order outside of what was requested.



If an investor's account has been approved for margin, notwithstanding the terms of the Customer Agreement, Pershing will not lend (hypothecate) fractional share positions.

If an investor holds fractional share positions (these positions, come about for a variety of reasons, such as DRIPs or corporate actions), it has been Pershing's practice to automatically sell those positions when an investor places an order to sell an entire whole share position using the 'Fractional Share Liquidation' (FSL) process. With the implementation of the 'fractional share trading and dollar-based investing' solution, the existing FSL process will be retired. An investor or their financial institution, as applicable, now has the responsibility to liquidate any fractional positions at their discretion (e.g., whole + fractional, fractional only). In the case that an investor or their financial institution request Pershing to continue auto-liquidating fractional-only holdings, the investor, or their financial institution, as applicable, must explicitly opt into Pershing's 'Order Solution for Liquidations' (OSL) process. By opting into OSL, the investor or their financial institution, as applicable, is instructing Pershing to initiate a sell order on behalf of the investor and their financial institution for any fractional-only positions (less than one whole share).